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15 August 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY SUMMARY

15 August 1957

PART I

OF IMMEDIATE INTEREST

RETURN OF SOVIET OFFICIALS TO MOSCOW

Since early June and particularly since mid-July, over 350 Soviet diplomats and other officials have returned to the USSR from 42 of the 53 nations with which the USSR maintains diplomatic relations. The number does not include dependents of foreign service officers.

Some 32 ambassadors, of whom six have apparently returned to their posts, and large numbers of lesser diplomatic officials are involved in the homeward movement.

There has as yet been no unusual movement of military or naval attaches

While the movement of a number of diplomats could be attributed to summer vacations or to consultations on the countries to which they are accredited, the recall of well over half of the USSR's ambassadors suggests that something more than routine matters is involved. It seems likely that the diplomatic officers could

have been called back to Moscow for general discussions of new moves either in foreign policy or in the international Communist movement, such as the recent talks with Marshal Tito.

The returns could also indicate important government and party meetings to consider as yet unannounced personnel and organizational changes.

the Soviet party central committee is scheduled to meet during the latter part of August or in early September to discuss the activity of Soviet trade unions. The plenum may well also have been called to hear Khrushchev review the international situation and report on the Tito talks and the trips to Czechoslovakia and East Germany. Other problems which might be discussed are top-level personnel assignments in both party and government, possibly including the question of Premier Bulganin's status.

Such personnel changes could involve the replacement of some foreign service personnel who have in the past been tied to Molotov, Malenkov, Kaganovich, or Shepilov. N. M. Pegov, the ambassador to Iran, will not return to his post in Tehran to which he was assigned only a year ago; he may be under a cloud for past associations with members of the "anti-party" group.

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CONFIDENTIAL

PART I

OF IMMEDIATE INTEREST

Page 1 of 3

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****15 August 1957**

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pleted by early August. All of the six ambassadors who have returned to their posts apparently left Moscow after 3 August, and Foreign Minister Gromyko left Moscow on 7 August with Khrushchev and Mikoyan on the East German tour.

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Some meetings or consultations seem to have been com-

PEIPING PREPARES CRACKDOWN ON PEASANTS

Alarmed by a deteriorating economic and political situation in rural areas, the Chinese Communists are embarking on a major campaign among the peasantry. Peiping's entire economic development program is heavily dependent on its success in extracting grain from the peasants and controlling its distribution. Evidence that the Chinese Communists are running into serious trouble on this score has been piling up, and last week Peiping called for a mass effort in "socialist education" among China's 500,000,000 peasants.

The authoritative People's Daily set the pitch for the campaign on 5 August in an editorial which declared that the food question is primarily an ideological problem. In a directive three days later, the

party central committee ordered immediate action by all levels of the party to give the peasants a "true appreciation" of the superiority of cooperatives, the necessity for government purchasing and marketing of grain, the nature of the relationship between urban workers and peasants, and the importance of suppressing counterrevolution. This was followed on 10 August by another long editorial in the People's Daily explaining the party line put forth in the directive.

Peiping has good reason to be alarmed about its position in the countryside and to insist that peasant cooperation be assured before the autumn harvest gets under way next month. Peasant resistance to state grain levies has been increasing and has been abetted in some cases by cadres in

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

charge of Agricultural Producer Cooperatives and by middle-level government officials. Peiping complains that cooperative members have attempted to conceal farm surpluses from the state in an effort to evade forced deliveries and have even diverted grain into black-market channels.

It is this tendency of putting individual needs ahead of state interests which Peiping hopes to overcome in the present campaign. Its efforts to cope with what is essentially an economic problem by political means will be aggravated by the prospect of a disappointing crop for the second straight year. In 1956 Peiping drew heavily on its grain reserves to offset losses from natural disasters and, as a selling point for the new cooperative members, to raise their income. However, drought and floods have struck key grain-producing provinces of Central and North China, and the needed bumper crop very likely will not be forthcoming.

The Chinese Communists evidently hope they can solve these problems by "persuasive talks" with the peasants, but Peiping's recent major statements on policy in the countryside make it clear that terror is being held in reserve if persuasion fails. A statement in the 5 August editorial that "some comrades" see no way to reach a compromise between the needs of the state and the de-

mands of the peasants suggests that harsh methods have already been proposed by some party leaders.

The central committee directive of 8 August declared that "reactionaries and counter-revolutionaries" who raise their voices in village discussions are to be silenced at once and the masses encouraged to demand "necessary control" for idlers. The State Council has already ordered establishment of additional forced labor camps for this purpose in a directive on 3 August. Outlining plans for the new "education" campaign, the central committee indicated that "large debate meetings" of all members in a cooperative or village can be held "when necessary." At these meetings, the "masses decide what is correct or what is incorrect"--a technique used during the bloody land reform campaign which ended in 1953.

The People's Daily of 10 August took an even harder line. The rural problem is stated in terms of a continuing struggle between "socialism" and capitalism. The editorial blames rural troubles on the activities of "former landlords, rich peasants, and counterrevolutionaries" who have been inspired by the attacks of "bourgeois rightists" on the regime last June, and concludes that "unless we deal a severe blow to these bad elements," the rural program will break down.
(Prepared jointly with ORK)

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CURRENT INTELLIGENCE WEEKLY SUMMARY

15 August 1957

PART II

NOTES AND COMMENTS

KHRUSHCHEV'S VISIT TO EAST GERMANY

Khrushchev during his East German tour reaffirmed Soviet endorsement of the East German plan for a German confederation and made it clear there will be no unified Germany except on Soviet terms. Khrushchev's praise of East German party boss Ulbricht indicated there would be no relaxation of controls. The emphasis on the "unity of the socialist camp" throughout Khrushchev's speeches served notice to dissident elements in all Communist parties that "unity" must be maintained by strict adherence to Moscow's directives.

Most of Khrushchev's statements on reunification and the communiqué at the conclusion of the visit repeated the line already taken in the Soviet Foreign Ministry rebuttal on 2 August of the Western four-power Berlin Declaration. His support for the Socialist Unity (Communist) Party (SED) position on reunification reportedly has given East German Communists a renewed feeling of confidence and optimism. From their point of view, the situation is much improved. One East German official is said to have exclaimed, "The Russians will never desert us, we will never see German reunification in our time." Many of them evidently had feared they might be shelved in some reunification deal with the West.

Ulbricht's position within the party was strengthened by Khrushchev's eulogy of him as the "most faithful of all the faithful." This represents at

least a temporary setback for the more liberal elements within the SED who have been urging Ulbricht to permit more economic and political freedom. Ulbricht himself will probably construe the Khrushchev endorsement as vindication of his stand that his tough policies have been completely correct and that there is no need to change them.

The necessity for unity within the socialist camp was repeatedly emphasized by Khrushchev. His references to the East German party's avoidance of factionalism and revisionism probably will be understood by all Communist parties in the bloc as a warning that "unity" can only be maintained by strict adherence to Moscow policies.

The communiqué states that the delegations discussed economic relations between East Germany and the USSR and agreed to hold further talks in Berlin to work out an agreement on goods deliveries for the three-year period 1958-1960. A further increase in trade is anticipated during this period, despite serious lags in East German deliveries to the Soviet Union this year. References to "large-scale cooperation" suggest that a further integration of East Germany's economy with that of the USSR is planned. Failure to delineate economic decisions suggests that no new substantial Soviet aid to East Germany was agreed on.

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25X1

~~CONFIDENTIAL~~~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

WEST GERMAN-SOVIET RELATIONS

The Adenauer government still hopes to help its September election prospects through trade and repatriation talks with the USSR, which resumed on 12 August after a six-day interruption. Ambassador Lahr has presented what the Foreign Ministry describes as a "calm and conciliatory" statement on repatriation aimed at an option agreement following 30,000 Baltic Germans to choose between Soviet and German citizenship.

Despite the USSR's previous unyielding attitude, Bonn still feels Moscow will be inclined to compromise on repatriation because of the apparent Soviet desire to normalize relations and expand trade. Since there is little pressure from West German business leaders for expanded trade with the USSR, the German delegation will not proceed with trade and consular negotiations until satisfactory progress is made on repatriation.

If Moscow proves uncompromising, the German delegation will attempt to stall as long as possible--preferably until after the 15 September elections--and in any case force the Soviet Union to take the initiative in breaking off the talks. Bonn could then publicize Moscow's "inhumane" approach to counter opposition charges of government "inflexibility" and inability to deal with Moscow.

The Adenauer government probably feels that the talks will help to distract the attention of the West German voter from the unification issue, which has been prompted

by East German Premier Grotewohl's "new" unification plan and the "electioneering" of Khrushchev in Berlin. So far, the West German press, though giving Khrushchev's visit wide coverage, has been negative and unenthusiastic in its comment on the offer of a troop withdrawal. One of the leading independent dailies characterized the visit as "demonstrating the deadlock in the reunification issue." Some editorials have speculated that Khrushchev's anti-Adenauer campaign may even redound in the chancellor's favor.

Opposition Social Democratic comment has denounced Khrushchev's interference in the election as a "great tragedy," while pointing out that the offer of a troop withdrawal might form the basis for future negotiations.

There are indications, moreover, that the West German public's attitude toward unification has undergone some significant changes. In a recent survey, more than half of those polled did not expect peaceful unification in the foreseeable future. In addition, about 30 percent of the respondents--nearly double the number of a year ago--had no opinion as to what is the main obstacle blocking reunification, thus suggesting a waning interest in the issue.

These lowered expectations on unification may make any progress achieved in the Moscow negotiations toward improving general relations between the two countries all the more impressive to the German public.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

FRANCE'S PROPOSED BASIC STATUTE FOR ALGERIA

Premier Bourges-Maunoury intends to have a draft Algerian statute ready for consideration at the special session of the French National Assembly he has promised to call in late September. Paris is determined to maintain French authority in Algeria, but hopes to devise a new basis for French-Algerian relations that will head off a critical resolution in the United Nations General Assembly session this fall.

For the immediate future, the government seems to be placing increasing confidence in pacification operations and is relying heavily on its ability to block arms-smuggling by sealing the Tunisian frontier. It hopes that evidence of French resolve to hold Algeria will help induce Moslem acceptance of a new program. In any event, France is still firmly eschewing the formula of "independence within a framework of interdependence" used in settlement of both the Moroccan and Tunisian issues in 1955 and 1956.

Of the several approaches to a new French-Algerian relationship suggested by French leaders, the proposal of Minister for Algeria Robert Lacoste for a limited federalism, because it safeguards French interests, appears to be the one most likely to gain assembly acceptance. Lacoste would

divide Algeria into a number of autonomous regions along ethnic lines favorable to the European minority. A single-college assembly would be elected by both Algerians and Europeans on a regional basis rather than by direct popular suffrage.

Some features of the traditional French assimilative approach are added by providing for Algerian representation in the French National Assembly and explicit reference in the preamble of the statute to Algeria's status as "an integral part of France." Final authority in Algeria would reportedly still be held by a government-appointed minister empowered to veto acts that violate the French constitution. A "court of arbitration" would judge disputes between majority and minority groups.

Despite growing domestic and international pressure, the Bourges-Maunoury government seems incapable of more than a minimum compromise program aimed at winning National Assembly support and mollifying opposition in the UN. A strong minority of French political opinion, however, doubts that any imposed political statute, particularly one which fails to promise eventual independence, will significantly affect the Algerian impasse.

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THE OMANI REBELLION

The occupation of Nizwa and other key villages in central Oman by forces of the Sultan of Muscat, led and supported by the British, has ended the initial phase of the Omani uprising. The rebellious

Imam of Oman and his brother Talib, prime mover of the revolt, have escaped into the high mountains of the Jebel Akhdar and have taken refuge with the Bani Riyam tribe of Sheik Suleiman ibn Himyar. The

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****15 August 1957**

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200-500-man rebel "Omani Liberation Army," [redacted]

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[redacted] is reported to have melted away into the mountains with the Imam. The Egyptian-sponsored Omani Office in Cairo has proclaimed the rebels' determination not to surrender.

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[redacted] the rebel band presumably remains intact under the skillful leadership of Talib ibn Ali, it retains the capability of harassing the Sultan's forces after the British withdraw.

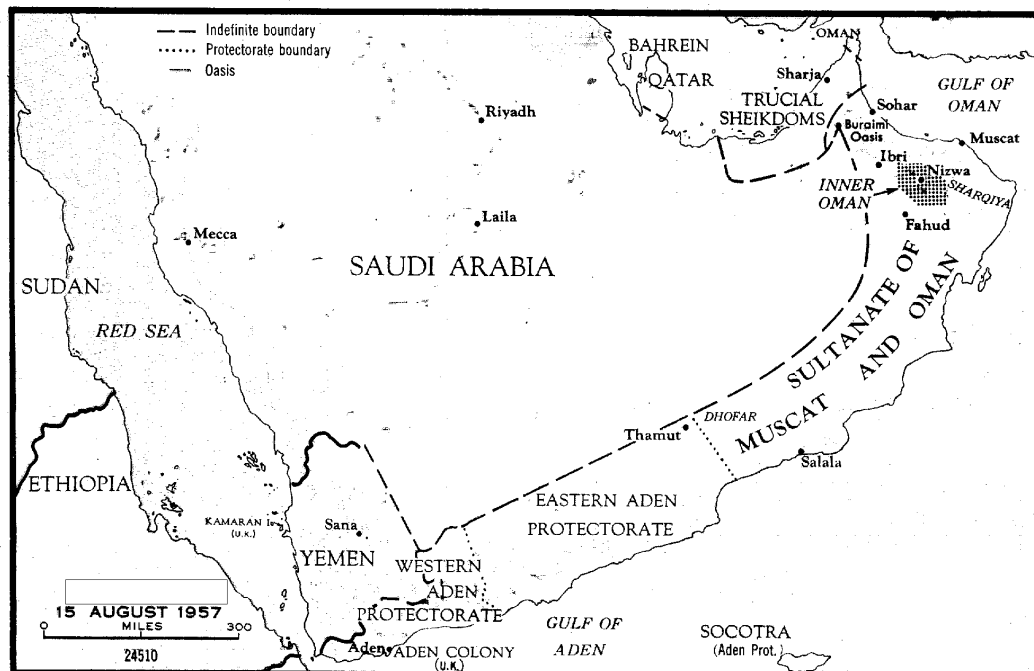
Pursuit of the rebel remnants into the high mountains by British infantry or the

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British-led Trucial Scouts is highly unlikely, [redacted]

[redacted] In 25X1
view of the collapse of the Sultan's field force in its solo encounter with the rebels at the outbreak of the rebellion, it may be necessary for some British troops to remain in central Oman to keep the newly won villages and tribes in line.

The Foreign Office official in charge of Middle East affairs indicated that the next phase in the affair was under discussion between British officials in the Persian Gulf and the Sultan, who has expressed a desire for British

**SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

troops to remain in Oman until after all rebels have been hunted down and forced to surrender. The Sultan has acted, meanwhile, to re-establish his authority in central Oman by appointing a new governor for Nizwa, moving loyal tribesmen into captured forts, and setting a price on the heads of rebel leaders.

The nine nations of the Arab League finally agreed on

12 August to request UN Security Council consideration of the Omani question. A majority of the council, however, probably would oppose inscription of the Omani item on its agenda. The Omani rebellion, like the Gulf of Aqaba issue, has been exploited by Egypt in an attempt to cast Saudi Arabia in the role of defending "Arab" interests against the West.

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INDONESIAN ELECTIONS

Incomplete returns from the 10 August elections in West Java show that the Masjumi retained first place in that area but that the Communist Party made considerable gains. The Communists won in Bandung, the provincial capital, by a landslide vote, and are also leading in four of the provinces's nine regencies, with the Masjumi holding first place in the other five.

Communist electoral gains throughout Java have resulted primarily from the direct and indirect support given the party by President Sukarno and the party's campaign tactic of

identifying itself with him. The party's intensive campaigning, backed by ample funds, was also an important factor. The Communists were considerably more efficient than their opposition in getting their own following to the polls and appear to have been supported by most of the younger voters, including those who have reached voting age since 1955. As a result, they have made substantial inroads into the National Party's vote of 1955 and also have cut into the following of the Moslem parties.

Some leaders of the three major non-Communist parties,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

alarmed by these gains in Java, have announced a desire to cooperate against the Communists, but have no definite plans. In an obvious effort to counter effective non-Communist cooperation, Communist Party Secretary General D. N. Aidit has urged that the non-Communists join the Communists in "joint administration and joint responsibilities" in furthering President Sukarno's "nation-saving concept." Aidit has pointed out publicly that parties participating in an anti-Communist front would be

"turning their backs on Sukarno," whereas all-party cooperation would have his blessing.

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LAOS

Leading anti-Communist elements in the Laotian government seem confident they can block Premier Souvanna Phouma's plans for early inclusion of Pathet Lao representatives in a coalition government and apparently are convinced they can eventually maneuver the Pathets into a position where they will no longer constitute a threat to the royal government. Crown Prince Savang, apparently in close collaboration with Interior Minister Katay, has evolved an elaborate plan whereby the government will negotiate with the Pathets on the basis of last year's 28 December accord.

This accord provided for a coalition government upon restoration of royal authority in the two northern provinces and integration of the Pathet military into the national army.

Savang has stated that no early action will be taken to simplify the assembly's voting procedures for approving a new cabinet, implying that he regards the present six-man ministry as more or less permanent. Such a development would provoke discontent among those assembly deputies who have been led to expect portfolios in an expanded government within two months. This discontent could be exploited by the Pathets to produce an atmosphere in the assembly conducive to an early coalition.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

TENSION GROWING BETWEEN SOUTH VIETNAM AND CAMBODIA

The long-standing dispute between South Vietnam and Cambodia over several offshore islands in the Gulf of Siam has recently taken on new importance. Military moves by both countries in the area have raised the risk of serious local incidents.

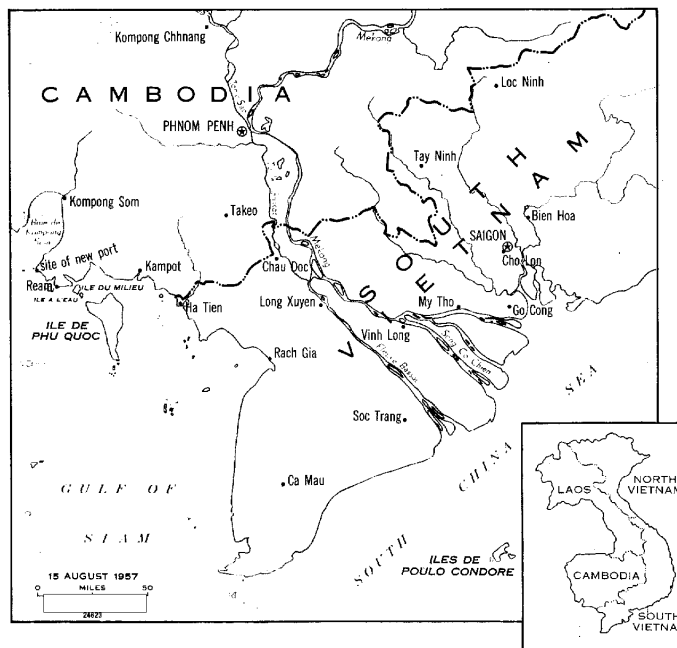
Cambodia is increasingly interested in the security of its maritime approaches as work on its new deep-water port on Kompong Som Bay progresses. The Cambodian navy in recent months has undertaken "flag" patrols to several disputed islands off the South Vietnamese-Cambodian coast. Small Cambodian marine garrisons have been posted on some of the islands, and more are planned. The presence of French advisers aboard the Cambodian craft may have restrained to date more aggressive moves by the Cambodians.

South Vietnam has reacted by sending two reinforced Vietnamese marine companies to Phu Quoc Island. The Cambodian government, viewing this move as a "menace" to its new port, has moved up long-range guns to Ile a l'Eau off the northwest tip of Phu Quoc. Cambodia's control over Ile a l'Eau and nearby Ile du Milieu is particularly resented by Saigon. Last year, President Diem seriously considered military action to oust Cambodian troops from these islands.

The Vietnamese government's growing conviction that Cambo-

dia is deliberately providing a staging area for anti-Saigon dissident forces along its border with South Vietnam is an additional sore point in the relations between the two countries. Cambodia, for its part, considers recent military moves by South Vietnam--including several border incursions in pursuit of dissident bands--as a menace to its security.

Any military action between Cambodia and South Vietnam, both of whom receive American military assistance, would hamper efforts to develop regional anti-Communist strength. Mutual economic sanctions



which would probably follow any military incident would place additional strains on the already weak finances of both countries. As in previous instances, even conservative Cambodian officials would undoubtedly ascribe South Vietnamese aggression to American pique at Cambodia's neutrality.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

DETERIORATING LABOR SITUATION IN INDIA

Despite the last-minute cancellation of the government employees' strike planned for 9 August, New Delhi's handling of the situation is likely to alienate the employees and result in increased Communist influence among them. Although the government granted some face-saving concessions to the unions, the basic reason for the cancellation was passage on 6 August of an emergency anti-strike bill empowering the government to fine and imprison the labor leaders and fire striking employees.

Some 500,000 employees in the postal, telegraph, civil aviation, and other departments planned to strike for increased wages to meet the higher cost of living and to force the Congress Party to carry out its pre-election promise to raise wages. The government took the position that it could not afford to grant extensive pay raises lest the wage drive spread through the economy during an inflationary period when the goals of the Second Five-Year Plan were already in jeopardy.

When talks in late July between Prime Minister Nehru and the union leaders failed to produce a settlement, the government pushed through an emergency bill over bitter opposition protests giving the administration wide powers to

outlaw strikes in essential services. Home Minister Pant, a leader of the right-wing group in the cabinet, forced the bill through despite the doubts of the cabinet ministers most directly involved. Nehru's indecisive handling of the bill left the impression that he lacked enthusiasm for it. He apparently yielded for fear that a nationwide strike would disrupt production at a crucial point in the five-year plan.

The Indian government has steadily become more conservative in its labor policy as it has acquired new employees following the nationalization of the airlines and life insurance companies and the growth of state-owned industrial enterprises. The government's labor policies are less favorable to its employees than are those of the large private employers.

The American embassy comments that the long-range effects of the antistrike bill may be to cripple the Congress-affiliated labor unions' prospects for organization of the government employees, to strengthen the power of the Communist Party among them, to alienate them from the government, and to give the Communists an opportunity to contrast the "pro-labor" record of the Communist ministry in Kerala State with the "anti-labor" acts of the central government.

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SECRET

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CURRENT INTELLIGENCE WEEKLY SUMMARY

15 August 1957

PEIPING DRAFTING 1958 ECONOMIC PLAN

Peiping is apparently well along with the formulation of its 1958 economic plan, which will launch China's Second Five-Year Plan (1958-1962). Noting that excessive debates and tardy decisions on past plans have led to needless difficulties, Peiping says it began work on the 1958 plan early in June, even before the 1957 plan was presented to the National People's Congress on 1 July. Peiping estimates that a final draft of the 1958 plan will be ready in mid-December, three to five months earlier than usual.

The general lines of the 1958 plan, were outlined on 10 August by Po I-po, who is in charge of formulating yearly plans. While no specific targets were given, Po's remarks support earlier speculation that Peiping is scaling down the original version of the Second Five-Year Plan and is placing greater stress on domestic industry to support industrialization. Po opposed the importation of any machines which can be made, however poorly, in China. He went on to say that the 1958 foreign trade plan must be "exceedingly flexible" and "adaptable to new situations."

Several months previously, Peiping had indicated that investment in 1958 could not be "markedly increased" over that of 1956. Po revealed that investment in 1958 will be used to "reinforce the weak links" in the economy, identified by Po as agriculture and those industries producing raw materials and fuels. He promised that expenditures for national defense would be further reduced and said a part of the nation's machine-building industry had already been converted from military to civilian production.

Apparently, the rigid austerity characteristic of 1957 will be continued, and the Chinese consumer can look for little improvement in his situation. Po admitted that development of consumer goods industries is lagging behind that of the rest of the economy, but insisted that investments in such industries must be reduced in 1958. He pointed out that unused productive capacity already exists and that any further expansion of consumer goods industries must await a prior increase in the output of the agricultural products which support them.

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BULGARIANS IN THE USSR FOR THREE-YEAR WORK ASSIGNMENTS

To help reduce unemployment in Bulgaria, surplus workers have been recruited during the past several months to work in the USSR. These workers, with their families, have been transported via the Black Sea to Odessa and Batumi, then routed on to their destinations. In all, about 10,000 workers have "volunteered" to work on state farms, in mines, and on various construction projects in the USSR.

In January, it was reported from Sofia that Bulgaria had requested the USSR to permit the temporary emigration of Bulgarian workers to the USSR to ease unemployment. Agreement for recruitment of workers under three-year contracts reportedly was reached during the Bulgarian-Soviet talks in Moscow in February.

Recruitment of workers apparently met with little

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

15 August 1957



success at first and departure dates were postponed from March to April and later to June. The first groups departed from Varna on 21, 22, and 23 June, according to Sofia radio, amid ceremony and praise for their desire to participate in "the great socialist construction" taking place in the Soviet Union. More than 3,000 workers were transported on the Ukraina in late June and early July to Batumi, thence by rail to Baku, where they boarded Caspian Sea vessels for Krasnovodsk. Many of these were destined to work on state farms in the Uzbek SSR and the Kazakh SSR, and about 1,000 were to be employed in the construction of the Karaganda combine, a metallurgical plant at Temir Tau in the Kazakh SSR.

The Ukraina also carried at least 2,500 workers to Odessa during this period. Of these, 215 were construction workers en route to Magnitogorsk, 100 were miners going to the Novgorodskaya mine at Stalino, and 1,094 were destined for coal mines in the Donbas, according to Sofia radio.

Direct pressure probably has not been necessary in recruiting the Bulgarian workers, since unemployment, estimated at between 150,000 and 180,000, is serious, and salaries offered allegedly were several times the average wages in Bulgaria.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

HUNGARIAN REGIME CRACKS DOWN ON ITS OPPONENTS

The Kadar regime continues to arrest actual or potential opponents to strengthen its hold on the country, thus deflating hopes openly expressed by Hungarians that changes for the better might occur in Hungary following the June shake-up in Moscow. Only farmers have escaped the full force of the regime's repression.

The total number arrested since the campaign began on 17 July is probably nearing 10,000. Those affected, all of whom are alleged to have manifested opposition to the regime during and after the uprising, include workers and youths--some of them Communists--former officials of the Horthy regime, members of the once powerful Smallholders Party, and Roman Catholic priests. The arrests may have a subsidiary objective of providing evidence to refute charges contained in the UN special committee report on Hungary.

Concurrently the regime has been stifling independent criticism and muzzling intellectuals toward whom some conciliatory gestures had earlier been made. The regime has recently shaken up the country's educational institutions, installing collaborators in key spots and removing all persons even lightly tainted with sympathy for the national uprising. Culture Minister Kallai on 4 August declared that all "consciously harmful elements" had been removed.

The regime in recent weeks has also attacked workers, whom it had earlier handled with kid gloves. Transport Minister Kossa, an old-time Stalinist, announced on 11 August that a purge had been carried out on the railroads and that elements who had openly participated in counterrevolutionary activities had been removed. Repressive measures in time may be launched against factory and construction workers, who in the past two weeks have criticized the regime's new wage-norm measures.

The regime has not cracked down as yet on the peasants, although recent arrests of Smallholder Party leaders may foreshadow such a move. Aware of the critical importance of food production, the regime is taking long-term measures to build up party strength in the countryside, and is permitting the peasantry considerable autonomy.

There has been little indication that the Kremlin is prepared to sanction any genuine liberalization measures in Hungary, 25X1
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Any far-reaching measures of relaxation appear to be precluded in the foreseeable future by the steadfast popular hostility toward the regime. 25X1

LATIN AMERICAN ATTITUDES TOWARD SINO-SOVIET BLOC TRADE

Total trade of the major Latin American countries with the Sino-Soviet bloc declined about one third to approximately

\$230,000,000 in 1956 from the level of 1955, mainly because of Latin American desire to reduce large credit balances.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

There is, however, growing pressure throughout the area to increase such trade. This renewed interest stems from desires to market surplus agricultural production and to take advantage of bloc offers of commercial credit which would conserve small gold and hard-currency reserves.

Argentina and Cuba--two of the three Latin American countries having the largest trade with the bloc--have already demonstrated interest in reversing the sharp 1956 decrease in this trade. Argentine trade alone dropped from \$188,000,000 in 1955 to \$91,000,000 in 1956. Argentina's minister of commerce and industry stated in late May that his country desires to increase trade with all countries, including those of the Soviet bloc. Cuba has already sold

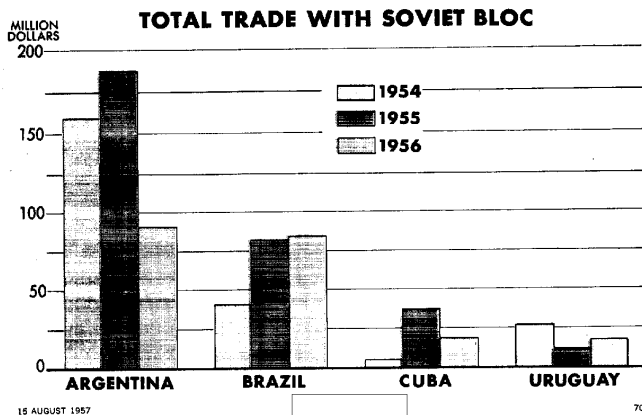
Some 23 deputies from the state of Pernambuco were invited to attend the Moscow Youth Festival and subsequently to act as a "trade commission representing northeastern Brazil" in a virtually expense-free tour of other bloc countries. Similar invitations were reportedly received by other state legislatures, including that of Minas Gerais, which was invited to send five members of its committee on steel industries to inspect steel installations in Poland.

Uruguay's trade with the bloc--though still in fourth place--increased 43 percent during 1956 because of a sharp rise in imports to use accumulated credits, and its officials have expressed interest in further expansion. Signature of a payments agreement with

Communist China was delayed in early June by internal political maneuvering rather than by opposition to the agreement.

A campaign to promote coffee sales to China and the USSR as well as elsewhere to counter an "ever-increasing surplus" was urged by the Colombian representative at a meeting of the Coffee Federation of Central America and Mexico last May.

Similar sentiments and pressure from Salvadoran coffee growers have resulted in Salvadoran consideration of a trade agreement with Poland, which would be the first Central American trade agreement with the Soviet bloc. Costa Rica is considering the barter of surplus tobacco for Czech manufactured goods, which are finding increasing acceptance in Latin America.



\$51,500,000 worth of sugar to the USSR and East Germany this year, almost tripling its 1956 total trade with the bloc.

Brazil, the bloc's second largest trading partner in Latin America, increased its trade only slightly to \$85,700,000 in 1956. A larger increase may result from the current visits to the bloc of various members of Brazilian state legislatures.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

Throughout Latin America, the combination of exchange shortages, exportable surpluses,

and the need for developmental goods serve to renew interest in Soviet bloc trade offers.

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HAITIAN POLITICAL SITUATION

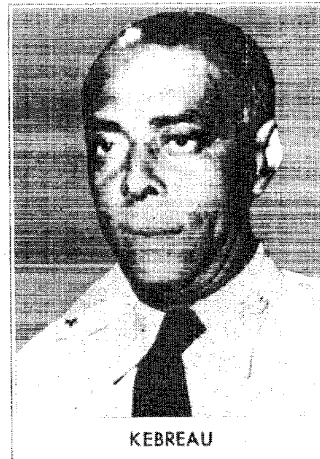
Haitian national elections reportedly postponed are now promised for sometime next month. Behind-the-scenes political maneuvering and some popular dissatisfaction with military rule have combined to keep tension high.

The issue of general elections, which was at least partly responsible for unseating four preceding provisional governments, is the military junta's most immediate problem. Already postponed three times, "free elections" has become a political panacea popularly believed to offer the only solution to Haiti's problems. Any discernible attempt to rig the elections or to delay them unreasonably would, as in the past, provoke violence. On 3 August, the junta, headed by Brig. Gen. Kebreau, issued a communiqué committing itself to holding elections during September, thereby alleviating some of the tension caused by its failure to publish an electoral decree.

Kebreau's recently adopted independent attitude has weakened claims that elements controlled by Paul Magloire--the dictatorial president ousted last December--were influencing him to arrange the election of a Magloire candidate. Kebreau is now rumored to support the candidacy of Dr. Francois Duvalier, believed by many observers to have the best chance of winning either "official"

or relatively free elections. Supporters of other leading candidates may, however, promote unrest in an attempt to prevent an election rigged in Duvalier's favor.

Certain political factions, particularly those representing Magloire interests, are reported attempting to postpone the



elections or to have the president chosen by political bargaining in an elected legislature rather than by direct popular vote as promised by the junta. By delaying the elections, Magloire elements would hope to create enough popular opposition to the junta to cause its ouster and give them a chance to step in. At present the junta appears capable of maintaining control.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

COMMUNISTS WIN BRITISH GUIANA ELECTION

In view of Dr. Cheddi Jagan's victory in the 12 August election, Governor Renison will probably appoint sufficient nominated members to give Jagan's Communist faction of the People's Progressive Party a working majority in the Legislative Council of the colony. Jagan's success shows the failure of British efforts to promote more moderate leaders since the suspension of the constitution in 1953, when Jagan was also the chief political leader.

Jagan and his followers won nine of the 14 elective Legislative Council seats. Jagan's bitter rival, Lyndon Forbes Burnham--who broke with Jagan in 1956--gained three seats for his faction of the PPP. The British reported much local disappointment before the election that Burnham and Jagan and his wife Janet had not been able to settle their differences; there have been no indications yet that they will cooperate. Two moderate parties, the United Democratic Party and the National Labor Front, won one seat each.

In view of Jagan's electoral majority, Governor Renison began consultations with him on 15 August about becoming chief minister and probably will soon appoint sufficient Jagan followers to give him a working majority. Jagan told the press on 15 August that he is "prepared to play ball with the governor" in forming a government. The governor is em-

powered to appoint up to 11 members who, together with three top government officials and the 14 elected members, form the 28-member Legislative Council.

The governor has some control over the government's action by his power to suspend or delay legislation and to revoke his nominations. Should disorders develop, a British company is available outside the capital and a bill was recently introduced to permit the conversion of the police into a military force in an emergency.

Although Jagan might work within the existing constitutional framework initially, both he and Burnham have demanded radical constitutional revisions to permit early independence. Burnham, who would accept independence within the Commonwealth, recently sought the aid of British members of the House of Commons to change the constitution. Jagan seeks complete independence and is opposed to joining the developing West Indian federation.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

15 August 1957

PART III

PATTERNS AND PERSPECTIVES

GOMULKA'S POLAND TODAY

The wave of nationalist emotion that swept Gomulka into power has subsided. The regime is making some progress toward broadening its popularity by allaying serious public grievances notably in the spheres of religion, nationalism and agriculture. Dissatisfaction is growing, however, particularly among the workers, whose status has not improved materially. The regime's effectiveness in dealing with this problem has been hampered by continued weak party control in many local areas.

At the present time, the outlook for Gomulka is favorable despite serious labor unrest. His leadership will probably be confirmed at the party congress in December, and the present Polish policies will in all likelihood continue in 1958.

Although Gomulka is a loyal Communist, his internal policies and political outlook vis-a-vis the Soviet Union confirm him as a deviationist among bloc leaders. The Soviet leaders have serious reservations about many of Gomulka's policies and about the Polish armed forces under Gomulka's control, which, from their point of view, are unreliable. For the foreseeable future, however, the USSR will probably publicly endorse the Polish regime for lack of any practical alternative.

Gomulka reportedly has been in ill health and should he be removed from leadership for reasons of health in the near future, serious problems of stability would arise. He probably would be succeeded by a collective leadership of men close to him who would attempt to continue his present policies. Otherwise, and particularly if

the Natolin Stalinist faction should seize power, a crisis might develop within the party and country serious enough to bring about political and possibly military intervention by the USSR. Since military intervention would doubtless set off a large-scale Polish uprising, it is unlikely that the Soviet leadership would intervene militarily except as a last resort.

Although Gomulka is a popular figure, the Polish people as a whole remain anti-Communist. Gomulka's strength continues to rest more on his symbolization of opposition to elements the Poles detest most--the Soviet regime and the Stalinists--than on programs which are widely supported. Thus, as the Polish internal situation stabilizes and fear of a reversal of the progress made in October declines, his popular support may decline also.

Internal Party Support

Party support for Gomulka has apparently increased since the party's ninth plenum both among the party central committee and the rank and file. Extreme elements which have opposed his policies have been discredited in some cases and brought into line in other cases and are probably incapable of forcing significant alterations in the Gomulka program.

The June Soviet party plenum provides Gomulka with a strong precedent in dealing with the opposition, especially the Natolin Stalinist faction. If Gomulka is able to consolidate his position at the December party congress, the Stalinists will thereafter constitute a decreasingly serious threat to his leadership. His reliance mainly on centrist forces within

~~CONFIDENTIAL~~
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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

the party to consolidate his power appears to have been a necessary expedient, and does not mean he has altered his political outlook. Gomulka evidently continues to believe that his policies as outlined in October 1956 are in the best interests of the Polish nation.

The Intelligentsia

The intelligentsia has become somewhat reconciled to the Gomulka regime. The extreme liberal group has lost both numbers and fire. Censorship is a continuing source of bitterness, but the regime's willingness to open the country to some Western cultural influences and its abandonment of the demand for "socialist realism" have somewhat softened the extreme liberals' opposition to Gomulka. In addition, stricter regime censorship policies, and a more realistic appraisal of the danger posed by the Stalinists, have tempered their extremist demands. However, in the future the dilemma between allowing intellectual freedom and the necessity to limit broad ideological discussion will continue to be a major problem for the regime.

The Church

The Gomulka regime has secured valuable political support on critical occasions from the Roman Catholic Church in Poland, and their agreement signed in November 1956 extending major concessions to the church has been implemented without serious repercussions. Both church and state in Poland are in basic agreement on two issues: it is to the advantage of both to coexist without open recrimination and to keep nationalism and anti-Soviet feeling among the populace under control. It seems likely that some of the church's demands for additional concessions may

be granted, and a major rift appears improbable, at least prior to the party congress.

The Peasants

The Polish farmer's faith in the permanence of his relative freedom of initiative in agriculture has been strengthened by the regime's progressive repeal of laws designed to further the socialization of agriculture. Peasants are cultivating more land and making greater investments than ever before. This year's crops promise to be the nation's largest since the war. Any reversal of agricultural policy would immediately stimulate overwhelming peasant opposition, and is therefore unlikely.

The Workers

Industrial workers have attained the least improvement in their status of any segment of the Polish population. An unequal distribution of wage increases and a subsequent stoppage of all wage raises have caused considerable dissatisfaction.

There are indications that the regime may be unable to hold the line at the present wage level. Early this month three strikes of serious proportions were reported in the meat packing, chemical, and transport industries. The first two were said to have been settled only after significant wage increases and "concessions" had been granted by the government. The third and largest, however, was apparently dissolved with only a token concession.

Such disturbances could set off a chain reaction of worker demands and government concessions resulting in still greater inflationary pressure on an already strained economy.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

The workers' councils are popular on the whole, and in some cases have managed to exceed their limited jurisdiction. According to the regime, they now exist in about 70 percent of the country's industrial installations. In some cases they abolished the hated norm-piece-work wage system and have helped to assure a steady flow of raw materials. The prospects for above-plan industrial production are promising, though largely contingent on Soviet raw materials. The production of consumer goods is being boosted, as is that of building materials, to meet the acute housing shortage.

Foreign Policy

Poland's geopolitical position, as well as the importance it attaches to its recovered territories, limits Gomulka's flexibility in the foreign policy field. His foreign policies will probably continue essentially to conform to those of the bloc as long as his own promises of noninterference in Polish internal affairs are not compromised. Although suspicious of the West, Gomulka acknowledges the Western heritage of Poland's culture.

The regime looks to both China and Yugoslavia for moral support on its internal policies. The Poles believe specific expressions of Chinese support will be made during Mao Tse-tung's prospective trip to Warsaw. Poland's official relations with Yugoslavia have been cautious during the period of fluctuating Soviet policy toward that country, but frequent exchanges of Yugoslav-Polish delegations have continued. Since the Soviet party plenum in June, favorable official and press references

to Yugoslavia have increased markedly in Poland, and consultations between Gomulka and Tito appear a distinct possibility.

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Official Soviet support of the Gomulka regime has been increasingly warm in public pronouncements since the Polish ninth plenum and the June plenum in Moscow. Fear in official Polish circles of Soviet intervention in Poland has subsided. As Gomulka consolidates his position within the country, the possibility of direct Soviet alteration of Polish internal policy diminishes and his foreign policy will probably become increasingly independent. The regime's policy toward the West appears to be geared to avoid anything which the USSR is known to oppose, while at the same time expanding in all directions not specifically condemned by Moscow.

Poland is likely to become more closely and more rapidly tied to the West than any other bloc nation. New contacts should gradually diminish Gomulka's personal distrust of the West, and increase pressures for greater contact with the West from other ranking Polish leaders. Any economic aid extended to Poland would help Gomulka to remain in power and encourage him to develop more independent relations with Western countries, though he probably would not alter his basic ties with the bloc.

As long as Gomulka continues in power, the Soviet leaders will have to cope with the spread of heretical ideas and practices to the other satellites and possibly to the USSR.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

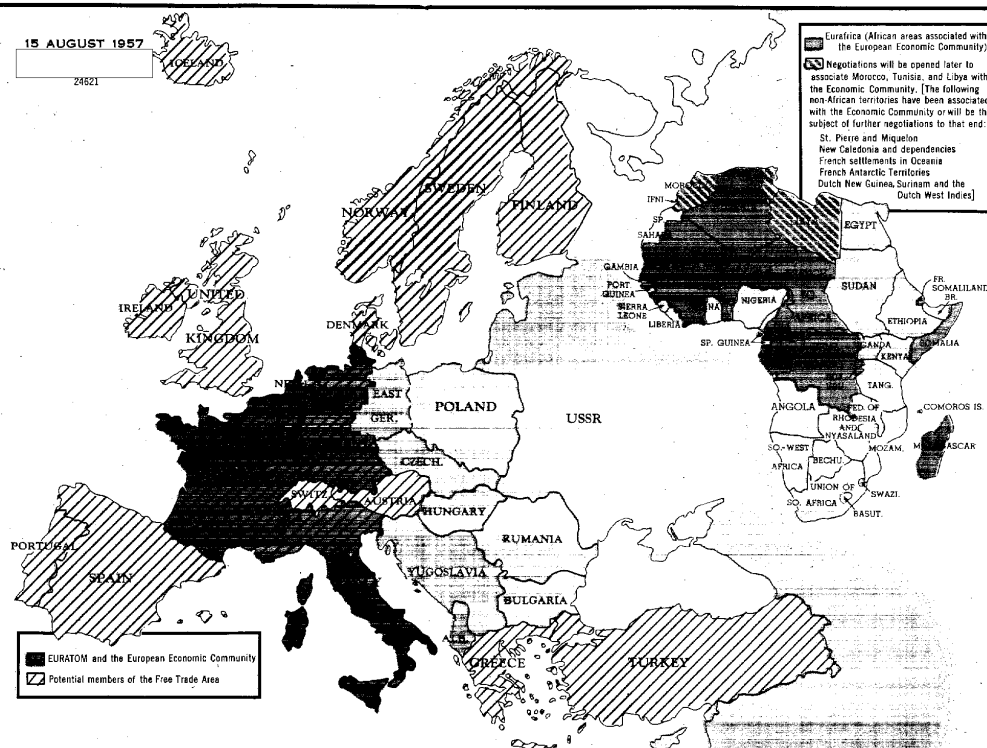
15 August 1957

EUROPEAN FEDERATION: PROSPECTS AND PROBLEMS

With French National Assembly approval, in July, the treaties establishing EURATOM and the European Economic Community (Common Market) will almost certainly come into force about next January. The proponents of European unity are now turning to the perplexing problems of consolidating their victory. The difficulties which confront them are in part of their own making: the treaties are inadequate instruments and the entire effort could still come to naught. The real challenge, however, derives from the fact that, with EURATOM and the Economic Community about to be put into force, the goal of a federated Europe becomes a practical possibility--provided its advocates can cope with the multiple implications its achievement would involve for Europe, for the Atlantic community, and perhaps, in the long run, for the balance of world power.

Politics and Ideology

The importance of the issues at stake has its origins in the historic development of the European movement and a basic conflict within it which has never been resolved. From the beginning, the idea of European cooperation was conceived as the best solution to the three fundamental problems of postwar Europe--political and economic rehabilitation, mutual guarantees against a revival of German power, and the permanent reconciliation of French and German national interests. These were the practical political objectives of the Brussels pact of 1948, the Council of Europe, and the Organization for European Economic Cooperation (OEEC), and they were the ultimate goals of the Coal-Steel Community (CSC) as well as of the abortive European Defense Community. (EDC)

**SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

While there was a general acceptance of the "idea of Europe" as the keystone of European reconstruction, there was never an equal measure of agreement as to how these objectives were best to be achieved. On the surface a disagreement over methods, the latent dispute was in fact a fundamental difference over ideology among those who insisted on bringing to the European movement the diverse philosophies of previous political experiences: the formalism of the French, the empiricism of the British in the organization of the Commonwealth, and to a considerable degree the federal development of the United States.

Often troublesome and delaying, this basic conflict came to a head in 1950, with the British in effect relinquishing their major role in the European movement to the French. By deciding at that time to proceed with the Schumann Plan without the participation of London, the six continental countries which eventually formed the CSC accepted the French and American idea that a united Europe should be a federation in which common institutions would exercise "sovereign" powers granted it by a constitution.

They also accepted a basic strategy which they believed would bring federation about: (1) supranational powers would be progressively increased until European institutions became the dominating political factor on the Continent; (2) only those countries willing to accept the supranational thesis would participate initially; and (3) the resulting community or communities, as an "attracting nucleus" of an expanding federated state, would be open to countries which at first might stand aside.

The Last Chance

The continental federalists have had to wait seven years

for a situation which would truly test the validity of their thesis. Influenced by the prospect in 1950 of a temporary surplus of steel in relation to existing demand, they chose first to apply it to regulating the continental market for coal and steel. It is not without significance that the British government later signed an association agreement with the Coal-Steel Community, yet the impact of the experiment was on the whole too small--on members and nonmembers alike--to set in motion the dynamics that had been hoped for.

With the European Defense Community, however, the federalists--in the widely shared belief that the USSR was about to repeat in Western Europe the aggression which had been committed in South Korea--erred in the other direction by attempting to resolve within the European framework a problem which proved in fact capable of resolution only within the framework of a broader European organization--the Western European Union (WEU)--and NATO.

In EURATOM and the Economic Community, however, there is reason to believe that the proponents of federation have been offered both their best and probably their last chance. In the eyes of the pro-Europeans, four major crises since the defeat of EDC have produced a "deep acceptance of the idea of Europe" which never existed before:

(1) A major energy shortage has developed which, unless the resources of the Continent are combined to combat it, threatens Europe with economic stagnation in a matter of a relatively few years.

(2) Europeans want for themselves a standard of living which is feasible without inflation only within the framework of a mass market and the benefits such a market would bring in specialization, mass production, and higher productivity.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

(3) The "loss" of the Suez Canal, coming as it did after the postwar Anglo-French retreat all over the world, has further demonstrated the weakness of Europe's two most powerful nations to defend their vital interests, especially when those interests are not identical with the objectives of American foreign policy.

(4) The relaxation of world tensions since the death of Stalin has raised the specter of some over-all world settlement in which Europe might participate--if at all--only as a junior partner of the United States.

European unity has become, therefore, a "logical necessity." With EURATOM and the Economic Community, it has become as well a "logical possibility." Thus, in the press of the Netherlands, the least enthusiastic potential member of a federated Europe, the proposition is seriously advanced:

"Once the Common Market has come into force, there will be no way back. There will only be a way ahead, toward a fuller economic community which will lead toward a political community. Without the Common Market, the political community is merely a serious parlor game which commits no one in any way. With it, however defective it may be, it is impossible to escape a political arrangement which exercises authority over the policies of its member countries."

Observers have noted even in the interim committee for the Economic Community a "collegial spirit" devoted to the protection of the "interests of the six." The hope is entertained, moreover, that this attitude will continue in the commissions for EURATOM and the Economic Community and that from them will emerge a "European dynamism." The theory of

"self-generation" is also advanced: thus, the countries are so deeply committed by the treaties that even their deficiencies, notably in agricultural and financial policy, will necessitate a greater and greater intervention in the political decisions which are ordinarily reserved to sovereign governments.

Doubts and Fears

While the obstacles to a "political Europe" are still enormous, the best proof of progress may well be the reactions of those who are secondarily concerned. In the many controversies which have been raised over the potentialities of the Economic Community, there has been a strong assumption that those potentialities are very great. Those who emphasize the necessity of broader and looser organizations for Europe and the Atlantic community seem to fear the political as well as economic influence of "the six,"

Austria, whose trade is chiefly with these countries, has declined thus far to join them on the political grounds that a renunciation of sovereignty would involve a threat to its neutrality. Spain and Portugal, after consulting with each other on the economic integration of Europe, have specifically disavowed association with arrangements which might affect the "Iberian national character." And the Soviet Union has drawn a careful distinction between inoffensive loose agreements on "economic and similar problems" and the Common Market which it contends will be "subordinate to the aggressive aims of NATO."

On the economic side, it was inevitable that the prospective combination of six countries which already account for a substantial portion of the free world's industrial

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

power would provoke interest and concern among all countries with which they trade and compete. To the extent, moreover, that the treaties excite the suspicion that the six intend to reserve to themselves a favored world position with protective tariffs, the dismay and alarm of those who are left out is quite justified. What is considerably less justified is criticism which fails to recognize that a customs union by its nature is discriminatory and that lower costs and cheaper exports are the legitimate advantages which the Economic Community seeks to attain.

Britain: An Evaluation of Policy

No response to the renewed vitality of Europe has provoked greater perplexity on the Continent than the attitude of London, and the evolution of British policy has been particularly revealing of the special difficulties the Economic Community seems to pose.

As in the case of the CSC, the British government at first stood aside, evidently expecting that the treaty negotiations would never bear fruit. When the negotiations continued, however, with increasingly favorable prospects, London denounced the project in the OEEC. This was succeeded in mid-1956 with an offer of economic accommodation--the "free trade area" proposal. Last December when the negotiations had reached their final and most crucial stage, Foreign Secretary Lloyd suggested a reorganization of Europe's institutions in accordance with a "grand design"--a proposal which, in view of its timing and conception, was greeted on the Continent in general with marked suspicion.

The free trade area proposal, however, was accepted by many as a new and significant shift on the part of London in

the direction of a pro-European policy. This belief was buttressed, in particular, by the pro-European record of the new Macmillan cabinet in January 1957, and by the continuing eagerness of his government to pursue negotiations within the framework of the OEEC. The evident intention of London to re-establish with this proposal the leadership of the European movement which it had relinquished some six years before has been marred, however, by the supplemental remarks of some officials, which, while



Manchester Guardian

not reflecting the program of the Macmillan government, seem to suggest no change of heart.

Thus last June Sir David Eccles, president of the British Board of Trade, shocked a Dutch delegation by describing the CSC High Authority and the proposed commissions for EURATOM and the Economic Community as "irresponsible aggregates of European civil servants"--irresponsible, he explained, because they are "not answerable to the British House of Commons." In the course of a public appeal for Commonwealth support of the free trade area, Eccles earlier observed: "Twice in my lifetime Western European nations, or one of them, (attempted)

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

to dominate others and form a hostile bloc across the channel which would threaten the very life of the United Kingdom. Now, six countries in Europe have signed a treaty to do exactly what, for hundreds of years, we have always said we could not see with safety to our own country. It would not be in the interests of the Commonwealth that it should happen."

The Real Issues

While the "grand design" is now the subject of a leisurely study from which it may never emerge, the first general discussions on specific free trade area proposals will probably occur at a ministerial-level meeting next October. The crosscurrents in this October meeting may be as portentous as any in Europe's recent history.

To many in Continental Europe, it will appear eminently desirable that Britain, whatever concessions may be required because of Commonwealth ties, be drawn closer to the Continent with commitments from which there is no escape. Many will see a vital and necessary role for the United Kingdom in Europe

as a counterweight to the power of Germany, as a balance to the protective bias of France, and as a link to the United States. Many have recognized that this will require from London, in reassessing its status as a world power, a greater adjustment of its role as an independent mediator between the Continent and Washington than it has yet made.

But the question will be raised: What sacrifices will British participation entail for the Europeans? Without the free trade area, the "attractive force" of the Common Market remains intact, and those countries--notably Denmark--which seem to hang in the balance might have no alternative to full membership in the Economic Community and the relinquishment of the measure of sovereignty this would involve. Moreover, if London seriously believes that an integrated Europe per se is a "hostile bloc" and that the free trade area is a means to thwart its achievement, even the long-run chances for fruitful cooperation may be slim. In that case, by conceding too much, the Europeans may incur the risk of sacrificing the only set of principles which have offered any serious hope of uniting Europe.

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THE OUTLOOK FOR INDEPENDENT MALAYA

Overshadowing the orderly evolution of Malaya toward self-government--which will be achieved on 31 August--is the long-range threat to its stability and independence posed by the presence of the largest proportion of Chinese of any Southeast Asian nation--some 38 percent of the total population. Since the founding of

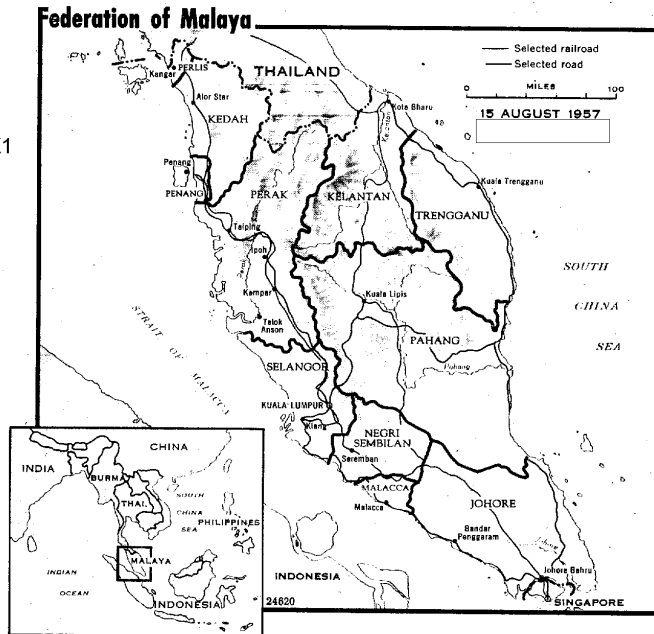
the Malayan Communist Party (MCP), the Chinese have provided more than 90 percent of its membership, and even among Malaya's non-Communist Chinese, large numbers are emotionally oriented toward mainland China.

Malaya's strategic location, together with its importance to the free world as

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****15 August 1957**

25X1



While Malaya will probably follow a cautious pro-Western policy at first, certain factors foreshadow a gradual increase in neutralist sentiment. The Indonesian example will exert considerable influence on the racially identical Malays. India, which considers Malaya within its sphere of influence, will also attempt to foster attitudes similar to its own in Malaya, using the Indian community there.

Peiping's propaganda against alignment with the West can be expected to have considerable impact on all communities,

producer of one third of the world's tin and rubber, and to the British Commonwealth, in particular, as its last significant military stronghold in the East and the principal dollar-earning area in the sterling bloc, all combine to give Peiping an attractive target for a subversion campaign mounted through the Chinese in Malaya.

On gaining its independence, the federation will have diplomatic relations with neither Communist nor Nationalist China. It probably will not grant early diplomatic recognition to Peiping, for the politically dominant Malay leaders are alert to the danger in any step which would promote Chinese Communist influence among the local Chinese. The Malay leaders, who also view Taiwan's activities among the Overseas Chinese as a threat to development of a "Malayan outlook," would prefer to keep Malaya's Chinese isolated from any external influence.

especially the Chinese. Peiping's "people's diplomacy" has already resulted in invitations to the University of Malaya, the Malayan Trade Union Council, and commercial groups to send delegations to China, as well as the sounding out of Malayan rubber traders on the possibility of stationing Chinese purchasing agents in the Federation. The Communist Bank of China has two branches in the Federation which are being used as quasi-diplomatic missions to gain favor among local Chinese and, almost certainly, to finance and direct Communist covert operations.

The Racial Problem

Nearly 2,500,000 of Malaya's 6,250,000 population are Chinese. Malays total about 3,000,000 and there is an Indian minority of about 700,000. The three races have lived in relative peace and harmony for many years under British rule, but there has been virtually no

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

mixture. They lack common nationalistic feeling, language, religion, and background. The livelihoods of the two largest races are, in the main, derived from entirely different forms of economic activity--commerce for the Chinese and agriculture for the Malays.

The Malays have been the privileged group under the British, who have supported special rights for them in landownership, citizenship regulations, and government employment. The Malays have been successful in incorporating most of these privileges in the new constitution which will, they hope, prevent them from being overwhelmed, both politically and economically, by the more aggressive and energetic Chinese.

The Chinese fear that the Malays will enact extensive anti-Chinese legislation. Thus, despite their past aloofness from political activity, many Chinese now feel they must work for sufficient participation in the government to guarantee protection of their interests.

Internal Politics

The most hopeful development for the future stability of Malaya has been the emergence of the moderately led Alliance, which represents Malaya's three racial groups and which controls 51 of the 52 elective seats in the legislature. It consists of the United Malay National Organization (UMNO), the Malaysian Chinese Association (MCA), and the Malaysian Indian Congress (MIC). Because of its multi-racial make-up, the Alliance must, on most issues, adopt a compromise position between extremist Malay and Chinese demands. There is, at present, no effective opposition to the Alliance, and its overwhelming

majority in the legislature probably assures continuity and political stability until the elections scheduled for late 1959.

Without the unifying issue of independence, however, the Alliance may find itself increasingly vulnerable both to internal divisive influences and to appeals aimed at its members by rival communal parties outside the Alliance placing racial above national interests.

The UMNO of Chief Minister Abdul Rahman, thanks to the overwhelming support given it by the Malay population, has dominated the Alliance and



CHIEF MINISTER ABDUL RAHMAN

thereby the Federation government. Almost all Malays are automatically enfranchised, and have traditionally been favored in government employment.

In contrast, the Chinese are in the main politically apathetic, few are qualified voters, and the Chinese population is badly split. Few support the MCA. There are the "Chinese" Chinese who look to the Chinese mainland, the Malayan

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****15 August 1957**

Chinese who preserve their traditions but feel their first loyalty to Malaya, and two smaller but influential groups, the "Queen's Chinese" who look beyond Malaya to the UK and the Commonwealth, and the Kuomintang Chinese, loyal to Taiwan.

Continued fragmentation of the Chinese community may preserve Malay domination of the political scene for the foreseeable future, and Malay predominance within a moderate confederation of racial communities such as the Alliance may prove to be the only way to maintain political stability.

The primary threat would be an effort by ultranationalist Malay politicians to use latent Malay fear and distrust of Chinese to destroy the UMNO and with it the Alliance. Discriminatory legislation or a use of police powers threatening vital Chinese economic and cultural interests would antagonize and unite the fragmented Chinese, thereby playing directly into the hands of Peiping and the MCP.

Malayan Communist Party

The armed strength of the Communist terrorist forces is approximately 2,000. Chinese comprise an overwhelming majority of the Malayan Communist Party membership and support, although the party is now making considerable effort to increase its strength among the Malay and Indian populations.

It has been evident for several years that the party wished to abandon its unsuccessful policy of armed rebellion and leave the jungle in order to enlarge its covert subversive activities, especially in labor unions and Chinese schools. Efforts to negotiate a settle-

ment have failed, however, and the remaining terrorists are too well known by the security forces to enable them to return to political activity without a settlement. Communist leaders may therefore try to solve their dilemma by sacrificing the jungle organization in order to concentrate all available resources on subversive activities.

The main danger of successful Communist subversion appears to be in the Chinese middle schools, which are inadequate and turn out poorly educated and discontented young Chinese who see little opportunity in Malaya. The Chinese schools appear more vulnerable to subversion than the other primary Communist target, the labor unions, mainly because non-Communist unions present a fairly effective counter to the Communists.

The amount of direction and support for Communist activity in Malaya furnished by the Chinese Communist Party is assumed to be extensive. Now that political independence is virtually achieved, Peiping is already publicizing demands for "economic" freedom for Malaya and for legal recognition of the MCP, apparently as first steps in its long-range goal of making Malaya a Communist satellite.

Economic Outlook

Relatively speaking, Malaya is not overpopulated and, if political conditions remain stable, Malaya's economic outlook appears bright. A merger of Malaya and Singapore, desired by the latter, would be economically beneficial to both, but is, at least for the time being, politically impossible. The addition of Singapore's 1,000,000 Chinese would relegate

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

the Malays to the position of a minority in their own country. Malaya's economy, however, remains vulnerable to the fluctuation of tin and rubber prices on world markets.

The Federation government, through a system of subsidies, is encouraging the planting of high-yield rubber trees to keep natural rubber in a favorable competitive position vis-a-vis synthetics. Significant expansion of tin production during the next few years is unlikely because of uncertain market conditions and the difficulty encountered by the British and Chinese tin producers in finding and acquiring suitable tin-bearing lands, which are largely owned by the Malays.

New Constitution

The new constitution provides for a constitutional monarchy. There will be a bicameral parliament, including a senate and a house of representatives. The term of the house is limited to five years. The prime minister must be a member of the house and enjoy its confidence, while other cabinet officers may be members of either the senate or house. This legislative organization will not be implemented immediately, however, for the present partly elected and partly nominated unicameral legislature will remain in office until 1959.

After independence, Islam will become the state religion, and Malay and English will be official languages. There is a bill of rights guaranteeing

basic liberties. A federal system will be maintained and each of the 11 states will adopt a parliamentary democracy with an elected unicameral legislature, a responsible head of government, and a constitutional ruler.

Defense Arrangements

While many Alliance leaders are favorably disposed toward SEATO, they may conclude that membership is politically inexpedient, especially since the proposed UK-Malaya defense treaty will tend to align them with SEATO without the political liabilities of formal membership. The treaty will provide for the maintenance of strategic British military bases in Malaya for the country's defense and for continued British assistance against the terrorists. In addition, the Malayan armed forces will continue to receive British equipment and training.

Malaya's potential role in Southeast Asian defense looms large in Australian and New Zealand defense thinking. Both countries now have small forces in Malaya as part of the Commonwealth "strategic pool," to be augmented rapidly in the event of war. New Zealand plans to establish, for the first time, an overseas headquarters, sending to Malaya a full battalion to replace a small group of air force personnel now there. Australia, in addition to stationing a battalion there, has maintained fighter and bomber squadrons in Malaya since 1955 as part of its shift in defense commitments from the Middle East to Southeast Asia.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

SOVIET BLOC CIVIL DEFENSE (1956-1957)

Following Marshal Zhukov's increased emphasis on civil defense in his speech before the Soviet 20th party congress in early 1956, programs for civil defense and civil defense training have made good progress in the USSR and in certain European satellites. Prior to 1956, Soviet bloc civil defense preparations seemed largely directed toward countering the effects of World War II-type attacks, but since then preparations have been geared more closely to defense against atomic weapons.

In the past year and a half, much atomic information has been released to civilians in the USSR, although descriptions of weapons effects have generally been limited to those associated with a Hiroshima-type atomic bomb. Increasing numbers of heavy bunker-type shelters have been reported seen in the satellites, special civil defense battalions have been formed in Hungary, and civil defense supplies have been issued there and in Czechoslovakia and probably elsewhere in the satellites. Organization of civil defense in the satellites continues to reflect Soviet leadership.

In addition to the costly installation of shelters in new buildings, the Soviet bloc is carrying out other expensive projects, such as civil defense training, construction of "outer belt" highways, issuance of some civil defense supplies, and other shelter construction.

Soviet Civil Defense

Civil defense preparations have been accelerated in the USSR in the last year. Public participation has been encouraged through regional defense conferences, new periodicals, new atomic civil defense manuals, television broadcasts,

and training films. Civil defense exhibits, posters, and well-equipped mobile demonstration units have also been used.

The 30,000,000-member Voluntary Society for Cooperation with the Army, Air Force, and Navy (DOSAAF) is the organization principally responsible for civil defense promotion and training. Aided by the Red Cross and other organizations, it is engaged in a massive program to give the Soviet population atomic civil defense training. A corps of instructors has been trained in a network of DOSAAF air defense schools for this purpose.

Completion of initial atomic defense training of the population has been announced. Although it is doubtful that all citizens were indoctrinated under the program, training has probably been widespread in DOSAAF, the Communist Party, and key industries. Completion of civil defense courses is required, and those workers who do not pass an examination are required to repeat the course. To supplement the atomic defense course, every citizen of the USSR over 16 years of age is to receive 22 hours of instruction in a new defense course, to be completed by the end of 1958, on anti-air and atomic, bacteriological, and chemical (ABC) defense, according to a recent announcement.

Auxiliary medical personnel are receiving special courses in atomic civil defense, and other workers expected to fill civil defense operational roles are probably being given specialized instruction. Air raid drills and a step-up in civil defense training in industrial plants since 1955 have been reported from several areas.

Civil defense exhibits continue to illustrate the use

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

of Moscow subways as bomb shelters.

The partial decentralization of industrial and governmental control in the USSR may improve civil defense organization and operations by permitting better integration of various civil defense groups at the local level as well as more local decision-making.

Urban civil defense fire-fighting crews will have special shelters available in the outskirts of populated areas, according to a Soviet article of last year, and other civil defense services presumably will have dispersed facilities.

Satellite Civil Defense

Hungary has been building air raid shelters since 1951, and heavy bunkers have been completed in munitions factories, steel mills, radio and elec-

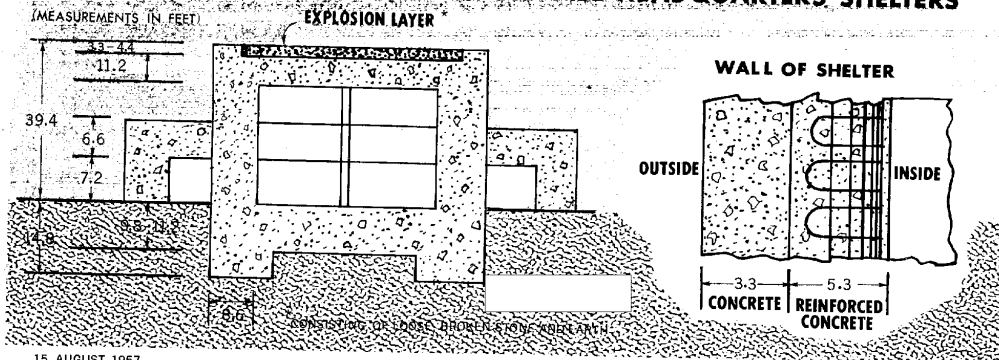
tronic plants, petroleum refineries, chemical plants, cement plants, and food-processing plants. Civil defense bunkers are also to be built in county seats and in each administrative district of Budapest.

According to the specifications, the roof, walls, and base floor of the shelters are of concrete at least 8.6 feet thick. The shelters are equipped with air locks and ventilating equipment; an independent water-supply and power-generating equipment; medical supplies including a store of narcotics, bone-setting materials, minor surgical supplies, and X-ray apparatus; radio and telephone service; and two days' food supply.

a civil defense headquarters bunker in Hungary, the first noted in the Soviet bloc, as having walls and ceiling of reinforced concrete three feet thick. The command-post installation was equipped with a radio station, gasoline generator, telephone exchange, and sanitary facilities.

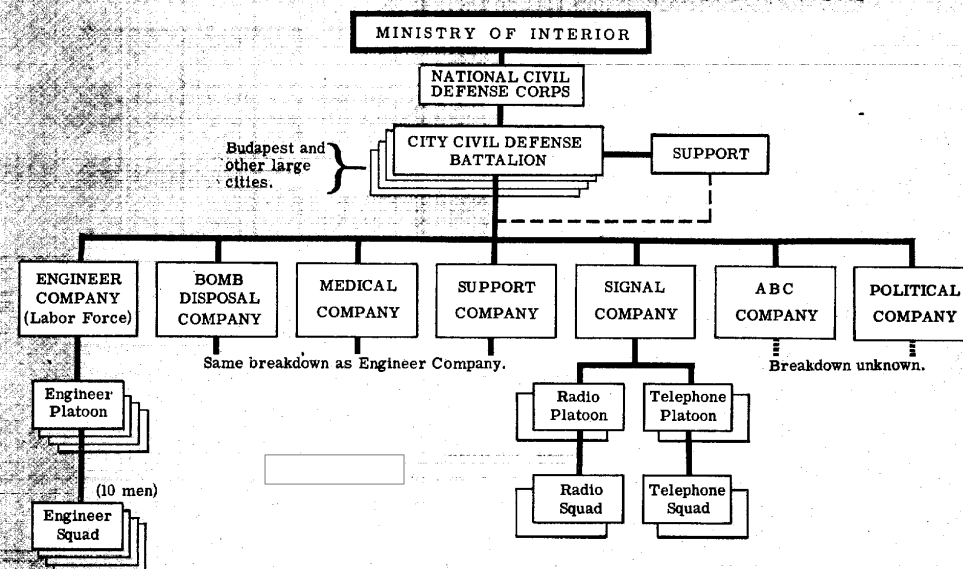
A national-guard type civil defense corps was organized in

HUNGARY - BASIC CONSTRUCTION SPECIFICATIONS FOR MAJOR ENTERPRISE AND CIVIL DEFENSE HEADQUARTERS SHELTERS

**SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 August 1957

HUNGARY—ORGANIZATION OF SPECIAL CIVIL DEFENSE BATTALIONS

15 AUGUST 1957

70812

Hungary several years ago and, is scheduled to train seven 500-man battalions a year from 1955 through 1958. Inductees have attended training two evenings a week for nine months and full-time summer field training for three months. This has been followed by monthly refresher meetings.

Personal equipment issued to members included police-type uniforms, rubber suits, oxygen masks, and pencil-shaped dosimeters. Unit equipment included mobile decontamination apparatus and chemical detector tubes. A civil defense headquarters in one city was reported to have work clothing, protective clothing, shoes, 500 blankets, 500 flashlights with batteries, 3,000 first-aid kits, radios, beds, engi-

neer tools, movie projectors and films, but only one Geiger counter.

emergency medical supplies stored at one location which apparently comprised a complete field hospital of 100 beds; Hungarian pharmacies were maintaining stocks of emergency medicines and supplies of a first-aid nature.

Civil defense preparations in the other satellites are in varying stages of development. Bulgarian and Czechoslovak civil defense is probably as well advanced as that of Hungary. Poland has been very active in initiating civil defense measures during the past year. Rumania has made only modest progress, and East Germany recently announced that it would soon initiate civil defense measures.

(Prepared by ORR)

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